Regional Economic Update
James Orr
Summary

- Economic activity has continued to expand in New York State and New York City, has remained steady in New Jersey, and has declined in Puerto Rico.

- Recent private-sector employment trends:
  - Growth in New York State and New York City
  - Modest upward trend in New Jersey
  - No significant signs of recovery in Puerto Rico

- Unemployment rates edging down from their cyclical peaks but remaining high across the region.
Recent Trends in Regional Economic Activity

Index of Coincident Economic Indicators

Source: Federal Reserve Bank of New York; Puerto Rico Government Development Bank
(Note: The Puerto Rico composite index is based on a different methodology than the indexes produced by the FRBNY)
Empire State Manufacturing Survey

General Business Conditions, Seasonally Adjusted

Source: Federal Reserve Bank of New York
Private-Sector Job Growth

Year-Over-Year Percent Change in Private-Sector Employment

Source: Bureau of Labor Statistics and Moody’s Economy.com
Private-Sector Employment Trends
Seasonally Adjusted

Source: Bureau of Labor Statistics and Moody's Economy.com
Private-Sector Employment Trends
Seasonally Adjusted

Source: Bureau of Labor Statistics and Moody’s Economy.com
Regional Private-Sector Job Growth
Seasonally Adjusted, Percent Change, May to August 2010

Note: Lower Hudson is comprised of the Kingston and Poughkeepsie MSAs and the Putnam-Rockland-Westchester Special BLS Area.

Source: Bureau of Labor Statistics and Moody’s Economy.com
## Job Growth: Selected Sectors

Seasonally Adjusted, May to August 2010 Percent Change

<table>
<thead>
<tr>
<th>Sector</th>
<th>U.S.</th>
<th>New York</th>
<th>New Jersey</th>
<th>Puerto Rico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Health Services</td>
<td>0.5%</td>
<td>-0.6%</td>
<td>-0.3%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Construction</td>
<td>0.4%</td>
<td>3.3%</td>
<td>-0.9%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>0.3%</td>
<td>0.0%</td>
<td>0.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.1%</td>
<td>0.5%</td>
<td>-1.3%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-0.3%</td>
<td>-0.3%</td>
<td>0.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>-0.5%</td>
<td>-0.4%</td>
<td>-3.2%</td>
<td>-2.4%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics and Moody’s Economy.com

Note: Puerto Rico construction sector includes mining.
Unemployment
Seasonally Adjusted Rates

Source: Bureau of Labor Statistics and Moody’s Economy.com
Regional Unemployment Rates
Seasonally Adjusted, August 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>9.6</td>
</tr>
<tr>
<td>Ithaca</td>
<td>5.9</td>
</tr>
<tr>
<td>Rochester</td>
<td>7.0</td>
</tr>
<tr>
<td>Syracuse</td>
<td>7.6</td>
</tr>
<tr>
<td>Buffalo</td>
<td>7.9</td>
</tr>
<tr>
<td>Binghamton</td>
<td>8.0</td>
</tr>
<tr>
<td>Lower Hudson</td>
<td>8.1</td>
</tr>
<tr>
<td>Long Island</td>
<td>7.0</td>
</tr>
<tr>
<td>Fairfield</td>
<td>7.1</td>
</tr>
<tr>
<td>New York City</td>
<td>8.2</td>
</tr>
<tr>
<td>Edison Metro</td>
<td>9.4</td>
</tr>
<tr>
<td>Newark Metro</td>
<td>8.9</td>
</tr>
<tr>
<td>Bergen Hudson Passaic</td>
<td>9.5</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>15.6</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics and Moody’s Economy.com
Summary

- The recovery of activity seems firmly in place in New York City, and activity continues to expand in New York State; activity has shown no growth in New Jersey and is declining in Puerto Rico.

- Overall private-sector employment in New York State and New Jersey is up modestly over its year-ago level, although state and local government employment is weak.

- Unemployment rates have retreated somewhat in the past few months, but remain at exceptionally high levels.
Housing Trends in the District
Jaison Abel
Overview

- **Housing boom and bust in the U.S. and region**
  - The housing cycle in the New York-Northern New Jersey region has generally been less severe than in other parts of the country

- **Housing performance and local economic activity**
  - The decline in the housing sector has resulted in lost jobs and a drag on economic activity, but this drag has been less consequential in the region than elsewhere

- **Recent performance of region’s housing markets**
  - Home prices have stabilized and home sales have generally risen across the region, although the future path of activity is uncertain
Regional Home Price Appreciation

CoreLogic Home Price Index

Index (1995 = 100)

“Boom”

“Bust”

Recent

Greater NYC-NJ-CT

U.S.

Upstate Metros

Source: CoreLogic Home Price Index
Regional Real Estate Activity

Index of Existing Single-Family Home Sales

Source: National Association of Realtors; Moody’s Economy.com estimates
Regional Home Building Activity

Index of Residential Single-Family Building Permits

Index (1995 = 100)

Source: U.S. Census Bureau and Moody’s Economy.com
(Note: Permits data adjusted using 4-quarter moving average)
“All Real Estate Is Local”

Average Annual Percent Change: 2000-2006 vs. 2006-2008

Source: CoreLogic Home Price Index

### Bust Years (2006 to 2008)
- Binghamton
- Buffalo
- Rochester
- Syracuse
- Utica
- Albany
- Glens Falls
- Ithaca
- Bridgeport
- NYC
- Edison
- Long Island
- NYC
- Honolulu
- Ocean City NJ
- Bakersfield
- Poughkeepsie
- Newark

### Boom Years (2000 to 2006)
- Detroit
- Flint
- Modesto
- Phoenix
- Miami
- Las Vegas
- Bakersfield
- Modesto
- NYC
- Long Island
- Edison
- Newark
- Poughkeepsie

### Relatively Stable
- Buffalo
- Rochester
- Syracuse
- Utica
- Albany
- Glens Falls
- Ithaca
- Bridgeport
- NYC
- Edison
- Long Island
- NYC
- Honolulu
- Ocean City NJ
- Bakersfield
- Poughkeepsie
- Newark

### Under-Performers
- Flint
- Detroit
- Modesto

### Over-Performers
- Miami
- Las Vegas
- Boston
- San Francisco
- Seattle

### Boom-Bust
- Binghamton
- Buffalo
- Rochester
- Syracuse
- Utica
- Albany
- Glens Falls
- Ithaca
- Bridgeport
- NYC
- Edison
- Long Island
- NYC
- Honolulu
- Ocean City NJ
- Bakersfield
- Poughkeepsie
- Newark
Map of Metro Quadrants

Average Annual Percent Change: 2000-2006 vs. 2006-2008

- Under-Performers
- Over-Performers
- Relatively Stable
- Boom-Bust

Source: CoreLogic Home Price Index
Nonprime Loan Penetration
2006 Nonprime Loans per 1,000 Housing Units

Source: FirstAmerican CoreLogic, Loan Performance Data; U.S. Bureau of the Census
Nonprime Loans and Home Prices

Nonprime Loan Penetration vs. Home Price Appreciation

Source: CoreLogic Home Price Index; FirstAmerican CoreLogic, Loan Performance Data; U.S. Bureau of the Census
Housing and Local Economic Activity

- Performance of the housing sector affects local economic activity (and vice versa)

- Two channels:
  1. Direct
     - Decline in housing activity reduces employment in housing-related sectors and sales of housing-related consumer durables
  2. Indirect
     - Reduction in value of housing asset reduces consumer spending
Decline in Construction Employment

Construction Share of Total Employment

Source: U.S. Bureau of Labor Statistics and Moody's Economy.com

Note: Construction sector also includes mining.
Total Employment Change by Quadrant

Average Annual Percent Change: 2000-2006 vs. 2006-2008

Source: U.S. Bureau of Labor Statistics and Moody's Economy.com
Reduction in Value of Housing Asset

Share of Mortgages in Negative Equity, 2010Q2

- Las Vegas: 72.8%
- Modesto: 59.6%
- Phoenix: 56.0%
- Miami: 48.9%
- Detroit: 46.4%
- Newark: 17.1%
- Bridgeport: 12.3%
- Edison: 12.3%
- NYC Metro: 10.9%
- Poughkeepsie: 6.6%
- Long Island: 5.7%
- Rochester: 5.1%
- Buffalo: 4.7%

Source: CoreLogic Negative Equity Report
Credit Conditions Across the U.S.

Mortgage Delinquency Rate 90+ Days, 2010Q2

http://data.newyorkfed.org/creditconditions/

Source: Credit Reporting Agency, TransUnion LLC’s Trend Data Database
Credit Conditions in the NY-NJ Region

Mortgage Delinquency Rate 90+ Days, 2010Q2

http://data.newyorkfed.org/creditconditions/

Source: Credit Reporting Agency, TransUnion LLC’s Trend Data Database
Recent Regional Home Price Appreciation

CoreLogic Home Price Index, 2009H1-2010H1

- **Buffalo**: 3.6%
- **U.S.**: 2.4%
- **Rochester**: 1.1%
- **Syracuse**: 1.1%
- **Bridgeport**: 0.5%
- **Albany**: 0.4%
- **Kingston**: 0.3%
- **Ithaca**: -0.2%
- **NYC Metro**: -1.2%
- **Long Island**: -2.0%
- **Edison**: -2.5%
- **Newark**: -3.6%
- **Poughkeepsie**: -7.0%

Source: CoreLogic Home Price Index
Recent Regional Real Estate Activity

Index of Existing Single-Family Home Sales, 2009H1-2010H1

Source: National Association of Realtors; Moody’s Economy.com estimates
Summary

- The housing boom and bust cycle experienced in the region has generally been less severe than in other parts of the country.

- The decline in the housing sector has resulted in lost jobs and a drag on economic performance, but this drag has been less consequential in the region than elsewhere.

- Most recently, home prices have stabilized and home sales have risen across the region, although the future path of activity is uncertain.
New York City Housing
Jason Bram
New York City Housing Overview

- New York City has been an over-performer

- How is NYC’s housing market unique?
  - Majority of units are in multi-family structures
  - More renters than owners
  - Fewer condos than co-ops

- Recent developments
  - NYC housing market had bigger boom, milder decline than U.S.
  - Prices appear to have stabilized; rents have begun to recover

- Outlook and Risks
Profile of NYC’s Housing Market

Housing Units by Borough

<table>
<thead>
<tr>
<th>Borough</th>
<th>Owner-Occupied 1-4 Family*</th>
<th>Co-Ops</th>
<th>Condos</th>
<th>Rent-Regulated</th>
<th>Other Rentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan</td>
<td>1%</td>
<td>18%</td>
<td>6%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>Bronx</td>
<td>13%</td>
<td>7%</td>
<td>2%</td>
<td>58%</td>
<td>20%</td>
</tr>
<tr>
<td>Brooklyn</td>
<td>21%</td>
<td>6%</td>
<td>2%</td>
<td>40%</td>
<td>32%</td>
</tr>
<tr>
<td>Queens</td>
<td>34%</td>
<td>11%</td>
<td>2%</td>
<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>Staten Island</td>
<td>62%</td>
<td>15%</td>
<td>7%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>64%</td>
<td>4%</td>
<td>32%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Housing and Vacancy Survey
(*Note: Also includes living quarters in partially commercial buildings (e.g. a doctor’s office and home in one building)
Recent Developments

CoreLogic Home Price Indexes (Monthly)

- Prices in Manhattan and Bronx rose more than the U.S. during the boom
- US prices fell by roughly 30%
- Prices in Manhattan and Bronx peaked in 2008 and fell by 15% – 20%

Source: CoreLogic Home Price Index
(Note: Includes single-family homes and condos and excludes co-ops)
Recent Developments

CoreLogic Home Price Indexes (Monthly)

- Brooklyn and Queens prices peaked in 2007 and fell by 20% - 25%
- Staten Island paralleled U.S. timing, though prices fell by roughly 20%

Source: CoreLogic Home Price Index
(Note: Includes single-family homes and condos and excludes co-ops)
Recent Developments

Mortgage Delinquencies 90+ Days as % of All Mortgages, 2010Q2

- U.S.: 5.6%
- Bronx: 11.8%
- Queens: 10.0%
- Brooklyn: 9.5%
- Staten Island: 6.7%
- Manhattan: 3.0%

Source: Credit Reporting Agency, TransUnion LLC’s Trend Data Database
Recent Developments

Average Rents on New Leases, Manhattan

- Rents dropped in 2008 and 2009
- Decline in effective rents was even steeper due to concessions
- Rents recovered modestly in 1st half of 2010; concessions reduced

Source: Nancy Packes, Inc.; FRBNY calculations
(Note: Figures for 2010 reflect the first 6 months of the year)
Despite pullback, prices are still 3½ times as high as in 1995.

Rents have roughly doubled over this period.

Since 2000, renting has become a much more affordable relative to buying.

Source: Nancy Packes, Inc.; FRBNY calculations
(Note: Rents for 2010 reflect the first 6 months of the year; prices are for the first 9 months)
Recent Boom in Home Construction

Housing Permits and Completions in New York City

- Housing permits remained high through 2008
- 5-year moving average of permits remains high
- Housing completions line up closely with permits issued in recent years
- Housing completions at 30-year high between 2005-2009
- Large supply of units in pipeline

Source: NYC Rent Guidelines Board
(Note: 2010 permits estimated based on first half of the year)
NYC Housing Outlook and Risks

- **Factors supporting home prices:**
  - NY City had milder recession than US; recovery underway
  - Relatively few owner-occupied homes “underwater”
  - Large number of co-ops → less leverage and less speculation

- **Factors undercutting home prices:**
  - Little or no job growth thus far in high-paying sectors (e.g. securities)
  - Uncertainty about the financial industry, especially compensation
  - Large number of new housing units in the pipeline
  - Prices high relative to rents; makes renting more attractive
Community and Regional Affairs Efforts to Mitigate the Foreclosure Crisis
Rae Rosen
Regional and Community Affairs Outreach Strategy

- Diverse group of stakeholders required a complex, multi-prong approach

- Local stakeholders
  - Homeowners
  - Housing counselors
  - Advocacy groups
  - Elected officials
  - Academics
A Multi-Prong Approach

- Provided targeted help directly to local communities and borrowers
- Broadened intermediate channels of communication
- Created a broad public channel of communication (top down)
Provided Targeted Help Directly to Local Communities and Borrowers

- Partnered with local community organizations to convene forums and make presentations to educate local stakeholders about the subprime mortgage market, the foreclosure process, etc. (8 events)

- Provided technical assistance to local stakeholders to help them better understand the data, interpret and apply national analytical insights (11 meetings)

- Convened focus groups and engaged in intelligence gathering at the community level to gauge local conditions and identify emerging concerns (65 meetings)
Provided Targeted Help Directly to Local Communities and Borrowers

- Partnered with local and national stakeholders to staff borrower outreach events for distressed homeowners where foreclosure prevention and mitigation advice was provided by housing counselors and mortgage servicers (10 events)

- Cosponsored the Lawyers' Foreclosure Intervention Network (LFIN) with the City Bar Justice Center, which, since its inception in May 2008, has provided pro bono legal assistance to approximately 200 New York City homeowners facing foreclosure

Broadened Intermediate Channels of Communication

- Created a new publication, *Facts and Trends*, to provide rigorous analysis on troubled low and moderate income communities – 3 issues:
  - New Jersey
  - Upstate New York
  - Long Island

Broadened Intermediate Channels of Communication

- Helped establish and lead *Mortgage Outreach and Research Efforts* and *Homeownership and Mortgage Initiatives* committees to leverage and coordinate foreclosure mitigation efforts across Federal Reserve System

- **Products included:**
  - Coordinated research, data efforts & conferences
  - Web-based foreclosure resource centers and tool kits for dissemination by each Reserve Bank
  - [http://www.newyorkfed.org/regional/foreclosure_resource_center.html](http://www.newyorkfed.org/regional/foreclosure_resource_center.html)
  - established a network of housing counselors, mortgage servicers and state one-stop job centers to better coordinate the full range of services available to unemployed borrowers at fairs, web sites and in offices
  - Collaborated with US Department of Labor to provide tool for proof of income so that recipients of Unemployment Insurance can obtain mortgage modifications and avoid foreclosure proceedings
Created a Broad Public Channel of Communication (Top Down)

- Established the US Credit Conditions website which houses the largest, geographically detailed publically available database on mortgage and other household credit conditions in the United States

- Established the HFAs – a group of Executive Directors and their staffs of the nation’s largest state housing finance agencies (18) and acted as their consultants, including:
  - analyzing the mortgage issues specific to their state
  - developing customized data runs for their applications for TARP funds for “hardest hit” state-run mortgage mitigation programs
  - work is ongoing
Created a Broad Public Channel of Communication (Top Down)

- Annotated key working papers from Research which had direct implications for use of the housing TARP funds to be readily informative to the lay (nonacademic) person and disseminated them to the HFAs
  
  http://www.newyorkfed.org/research/economists/haughwout/Belowtheline.pdf

- Created electronic version of the quarterly Research publication US Debt and Credit Conditions to create a national presence for the publication. This site provides policy makers, nonprofits and state and local governments with insight into the specific regional credit issues (e.g. California, Florida and New York problems are distinctly different)

# Job Growth by Sector

Seasonally Adjusted, May to August 2010 Percent Change

<table>
<thead>
<tr>
<th>Sector</th>
<th>U.S.</th>
<th>New York</th>
<th>New Jersey</th>
<th>Puerto Rico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation &amp; Utilities</td>
<td>0.5%</td>
<td>1.2%</td>
<td>0.4%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Educational &amp; Health Services</td>
<td>0.5%</td>
<td>-0.6%</td>
<td>-0.3%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>0.5%</td>
<td>0.4%</td>
<td>0.9%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Other Services</td>
<td>0.4%</td>
<td>3.9%</td>
<td>0.2%</td>
<td>-2.2%</td>
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<td>0.0%</td>
<td>0.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>0.2%</td>
<td>0.0%</td>
<td>1.0%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.1%</td>
<td>0.5%</td>
<td>-1.3%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>0.0%</td>
<td>-1.2%</td>
<td>0.2%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-0.3%</td>
<td>-0.3%</td>
<td>0.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Information</td>
<td>-0.3%</td>
<td>-0.7%</td>
<td>-0.7%</td>
<td>2.2%</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
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Source: Bureau of Labor Statistics and Moody’s Economy.com